



RECORDATION NO. 1 5095 Filed & Recorded
NOV 3 1986 11:05 AM

INTERSTATE COMMERCE COMMISSION

HILLSDALE COUNTY RAILWAY COMPANY, INC., 50 MONROE ST. HILLSDALE, MI 49242

517 / 439-1434

Date 11/3/86
Fee \$ 10.00

October 28, 1986

Attention Ms. Mildred Lee
Room 2303
Interstate Commerce Commission
12th and Constitution Avenue N.W.
Washington, D.C. 20423

ICC Washington, D. C.

Dear Ms. Lee:

Attached is the original and one copy of a locomotive purchase agreement between the Hillsdale County Railway Company, Inc., purchaser of the two used GP-9 locomotives and the Helm Financial Corporation, One Embarcadero Center, San Francisco, CA 94111. The Helm Financial contact is Mark Zuercher at 415/398-4510. The Hillsdale County Railway Contact is Wil Gamble at 517/439-1434. The purchase agreement is dated September 10, 1986.

Yours very truly,

W. G. Gamble
Vice President/General Manager



MEMBER

Serving Southern Michigan and Northern Indiana

Interstate Commerce Commission

Washington, D.C. 20423

10
11/3/86

OFFICE OF THE SECRETARY

W.G.Gamble
Vice Pres./Gen/Manager
Hillsdale County RYW.Co., Inc.
50 Monroe St.
Hillsdale, MI 49242

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 11/3/86 at 11:05am, and assigned re-
recording number(s). 15095

Sincerely yours,

Noreta R. McGee
Secretary

Enclosure(s)

SE-30
(7/79)

1 5095
RECORDATION NO. 15095 Filed & Recorded
NOV 3 1986 11-05 AM

LOCOMOTIVE LEASE AGREEMENT

THIS LEASE made and entered into as of this 10th day of INTERSTATE COMMERCE COMMISSION September, 1986, by and between Helm Financial Corporation, a California corporation, hereinafter called "Lessor", and Hillsdale County Railway Company, Inc., a Michigan corporation, hereinafter called "Lessee".

LESSOR AND LESSEE HEREBY AGREE AS FOLLOWS:

1. Lease Identification Marks: Lessee agrees to lease from Lessor the Locomotives described in Exhibit A, together with all replacement parts, additions, repairs and accessories incorporated therein and/or affixed thereto (the "Locomotive").

The Locomotive presently bears Burlington Northern reporting marks. The Lessee may repaint and stencil its name on the units.

The Lessee will cause the Locomotive to be kept numbered with the identification number set forth in Exhibit A as "Burlington Northern Markings" hereto, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of the Locomotive, in letters not less than one inch in height, the words "Ownership filed with the Interstate Commerce Commission", with appropriate changes thereof as from time to time may be required by law, in the opinion of the Lessor, in order to protect the Lessor's title to and interest in the Locomotive and the rights of the Lessor under this Lease. The Lessee will not place the Locomotive in operation or exercise any control or dominion over the same until such words shall have been so marked and will replace promptly any such markings which may be removed, obliterated, defaced or destroyed. The Lessee will not change the identification number of the Locomotive unless and until a statement of new number to be substituted therefor shall have been filed with the Lessor and duly filed and deposited by the Lessee in all public offices where this Lease shall have been filed and deposited.

Except as provided in the immediately preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on any Locomotive as a designation that might be interpreted as a claim of ownership; provided, however, that the Locomotive may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates.

2. Rent: This Lease shall commence immediately upon execution, and shall continue until the end of thirty-six (36) months from the date of execution. The initial downpayment of \$5,450.00 per Locomotive is due immediately upon execution of this Lease. The first monthly rental shall be due fifteen (15) days after the date of this Lease and thereafter shall be due on

the same date each month for thirty-five (35) months. The monthly rental for each Locomotive shall be \$570.32 per month payable monthly in advance.

Lessee shall not be entitled to any abatement of rent, reduction thereof or set-off, counterclaim, recoupment or defense against rent or any other amount payable hereunder for any reason whatsoever, including, but not limited to, abatements, reductions, set-offs, counterclaims, recoupments or defenses due or alleged to be due by reason of any past, present or future claims of Lessee against Lessor or any other person for any reason whatsoever, except as otherwise provided herein; nor shall this Lease terminate or the obligations of Lessee be otherwise affected by reason of any defect in the condition, design, operation or fitness for use of the Locomotive or damage to or loss of possession or use or destruction of such Locomotive from whatever cause and of whatever duration, except as otherwise provided herein. The preceding sentence shall not effect the Lessee's rights provided in Section 13 hereof. Lessee will settle all claims, defenses, set-offs and counterclaims it may have of any nature against the Locomotive manufacturer, including but not limited to defects in the Locomotive and like claims, directly with the Locomotive manufacturer and not set up any such claim, defense, set-off or counterclaim against Lessor or its assigns. Lessee acknowledges that: Lessor is in no way connected to the Locomotive manufacturer; Lessor has no knowledge or information as to the condition or suitability for Lessee's purpose of the Locomotives and Lessor's decision to enter into this lease is made in reliance on Lessee's undertakings herein, including Lessee's express agreement not to assert against Lessor any claims, defenses, set-offs or counterclaims it may now or hereafter have against the Locomotive manufacturer.

3. Warranties and Representations: LESSOR MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND RESPECTING THE LOCOMOTIVES, WHETHER STATUTORY, WRITTEN, ORAL OR IMPLIED, AND LESSOR HAS NOT MADE AND DOES NOT HEREBY MAKE, NOR SHALL IT BE DEEMED BY VIRTUE OF HAVING PURCHASED THE LOCOMOTIVES, PURSUANT TO THIS AGREEMENT TO HAVE MADE ANY REPRESENTATION OR WARRANTY AS TO THE MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE WORKMANSHIP IN, THE LOCOMOTIVES ALL OF WHICH ARE EXPRESSLY DISCLAIMED AND LESSOR SHALL NOT BE LIABLE, IN CONTRACT, TORT OR OTHERWISE, ON ACCOUNT OF ANY DEFECT, WHETHER HIDDEN, LATENT OR OTHERWISE DISCOVERABLE OR NONDISCOVERABLE RESPECTING ANY LOCOMOTIVE. Lessee accordingly agrees not to assert any claim whatsoever against Lessor based thereon. Lessee further agrees, regardless of cause, not to assert any claim whatsoever against Lessor for loss of anticipatory profits or consequential damages.

4. Place of Payment of Rent: Lessee shall direct payment of the monthly rent to the following address:

Helm Financial Corporation
One Embarcadero Center
Suite 3320
San Francisco, California 94111

5. Recordkeeping; Inspection: Lessee agrees to keep and maintain and make available to Lessor such record of Lessee's use, operation, inspection, repairs and maintenance of the Locomotive while in its possession as shall be reasonably required by Lessor. Lessor, by such agent or agents as it may designate, shall have the right at all reasonable times to go upon the property of Lessee to inspect the Locomotive while in the possession of Lessee.

On or before April 30 in each year, commencing with the calendar year 1987, the Lessee will furnish to the Lessor a certificate signed by the chief mechanical officer of the Lessee (a) setting forth the repairs performed on the Locomotive during the preceding calendar year and such other information regarding the condition and state of repair of the Locomotive as the Lessor may reasonably request and (b) stating that, if the Locomotive shall have been repainted during the period covered by such statement, the numbers and markings required by Section 1 hereof have been preserved or replaced. The Lessor, at its sole expense, shall have the right by its agents to inspect the Locomotive and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the term of this Lease.

The Lessee shall promptly notify the Lessor of any occurrence of an event of default or default, specifying such event of default or default and the nature and status thereof.

Likewise, the Lessor shall promptly notify the Lessee of any occurrence of an event of default or default, specifying such event of default or default and the nature and status thereof.

6. Loss or Destruction: In the event that the Locomotive during the term hereof shall become lost, stolen, destroyed, irreparably damaged, permanently rendered unfit for use, or, in the reasonable opinion of the Lessee, worn out or damaged beyond the economic limit of repair, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise by the United States Government for a period which shall exceed the then remaining term hereof, or by any other government or governmental entity resulting in the loss of possession by the Lessee for a period of 60 consecutive days (such occurrences being hereinafter called "Casualty Occurrences"), Lessee shall notify Lessor of such Casualty Occurrence. On the payment date next following the date of such Casualty Occurrence, Lessee shall pay to Lessor the Casualty Value of such Locomotive, determined as of such payment date, together with any unpaid amount due on or prior to such date, where upon Lessee's obligation to pay further

amounts for such Locomotive shall cease. The Casualty Value shall be that amount determined pursuant to the casualty schedule attached hereto as Exhibit B, assuming all rental payments have been made when due.

7. Insurance: the Lessee will, at all times prior to the return of the Locomotive to the Lessor, at its own expense, cause to be carried and maintained casualty insurance and public liability insurance in respect of the Locomotive at the time subject hereto, against such risks, in such amounts and on such terms and conditions as are customarily insured against by the Lessee in respect of similar equipment owned or leased by it. All policies with respect to such insurance shall provide that the Lessor shall be named an assured and for payments to the Lessor as its interest may appear, shall provide for at least 30 days' prior written notice by the insurance carrier to the Lessor in the event of cancellation, expiration or amendment (and the Lessee shall provide 30 days' prior written notice to the Lessor in any such event), shall include waivers by the insurer of all claims for premiums against the Lessor and shall provide that losses are payable notwithstanding, among other things, any act of negligence of the Lessee or the Lessor, more hazardous use or occupation of the Locomotive than that permitted by such policies, any breach or violation by the Lessee or the Lessor of any warranty, declaration, condition or other provision contained in any such policy. Each such insurance policy shall expressly provide that all of the provisions thereof except that limits of liability which shall be applicable to all the limits of liability (which shall be applicable to all insureds as a group) and liability for premiums (which shall be solely a liability of the Lessee) shall operate in the same manner as if they were a separate policy covering each insured and shall be primary without right of contribution from any insurance carried by the Lessor. If the Lessor shall receive any insurance proceeds or condemnation payments in respect of the Locomotive suffering a Casualty Occurrence, the Lessor shall, Lessee's having made payment of the Casualty Value in respect of such Locomotive and provided no event of default or default shall have occurred and be continuing, pay such proceeds or condemnation payments to the Lessee. All insurance proceeds received by the Lessor in respect of any Locomotive not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Locomotive in respect of which such proceeds were paid has been fully repaired, provided no event of default or default shall have occurred and be continuing.

8. Indemnity: The Lessee agrees to indemnify, protect and hold harmless the Lessor from and against all losses, damages, injuries, liabilities, claims (including, without limitation, claims for strict liability in tort) and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and ex-

penses, patent, trademark and copyright liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of or the occurrence of a default, an event of default, the ownership of the Locomotive, use, operation, condition, purchase, lease, storage or return of the Locomotive or any accident in connection with the operation, use, condition, possession, storage or return of the Locomotive resulting in damage to property or injury or death to any person. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the expiration or termination of the term of this Lease. Lessee shall not be required to indemnify Lessor for any loss, liability or expense resulting from the gross negligence or wilful misconduct of Lessor.

Except as otherwise expressly provided in this Lease, the Lessee shall bear the responsibility and risk for, and shall not be released from its obligations hereunder in the event of, any damage to or the destruction or loss of the Locomotive.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required filing date (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than tax returns) to be filed by the Lessor with any federal, state or other regulatory authority by reason of the ownership by the Lessor of the Locomotive, or the leasing thereof to the Lessee.

9. Compliance with Law: Repair and Maintenance: Lessee shall comply with FRA, the interchange rules of the Association of American Railroads and all other applicable governmental laws, regulations and requirements and other binding regulations with respect to use, maintenance and operation of the Locomotive during this Lease.

The Lessee shall use the Locomotives only in the manner for which designed and intended and so as to subject them only to ordinary wear and tear. Lessee shall, at its own cost and expense, will maintain and service the Locomotive in accordance with prudent industry practice which will include testing, repair and overhaul of the Locomotive so that the Locomotive will remain (a) in as good operating condition as when delivered (ordinary wear and tear excepted), (b) in compliance with any and all applicable laws and regulations, and (c) suitable for immediate purchase or lease and use by a line-haul railroad (not then or prospectively a debtor in any insolvency or reorganization proceedings) in the event of resale or release upon default by the Lessee. In no event shall the Locomotive be maintained or scheduled for maintenance on a basis less frequent than the maintenance or maintenance scheduling basis employed as of the date hereof by the Lessee for similar equipment. Any parts installed or replacements made by Lessee upon the Locomotives

shall be considered accessions to the Locomotives and title thereto shall be immediately vested in Lessor, without cost or expense to Lessor.

10. Purchase Option: As long as Lessee is not in default hereunder, Lessee shall have the option to purchase the Locomotive covered by this Agreement upon payment of all amounts due hereunder at the end of the term hereof for \$1.00 or at any time during the term of this Lease for the amount specified in Exhibit C for that rental period. Upon the making of such payment by Lessee to Lessor, the Lessor shall execute and deliver to Lessee a Bill of Sale for such Locomotive, transferring to Lessee all of Lessor's right, title and interest in and to such Locomotive. Lessor shall warrant the title of the Locomotive except with respect to claims arising out of acts or omissions of Lessee.

11. Assignment: Lessee shall not assign or sublet its interest, or any parts thereof, under this Agreement, or permit the use or operation of the Locomotive subject to this Agreement by any other person, firm or corporation, other than wholly owned subsidiaries, without the prior written consent of Lessor. Lessor expressly consents to incidental operation and use on railroads other than the Lessee's under standard run-through and power pooling arrangements. Lessor may at any time assign the Locomotives or rents due or to become due hereunder without notice to Lessee and in such event Lessor's transferee as assignee shall have all the rights, powers, privileges and remedies of the Lessor hereunder. Lessee shall have no obligation to pay any assignee, and shall continue to pay Lessor, until such time as notice is given of such assignment in accordance with Section 12.

12. Notice: Unless otherwise specifically provided, any notices to be given under this Lease or any other communications between the parties shall be given by certified mail, postage prepaid, in the following manner:

(a) Notices from Lessor to Lessee shall be sent to:

Hillsdale County Railway Company, Inc.
50 Monroe Street
Hillsdale, MI 49242
Attention: Vice President/General Manager

or to such other address as Lessee may from time to time indicate by written notice to Lessor.

(b) Notices from Lessee to Lessor shall be sent to:

Helm Financial Corporation
One Embarcadero Center, Ste. 3320
San Francisco, California 94111
Attention: President

or to such other address as Lessor may from time to time indicate by written notice to Lessee.

13. Quiet Enjoyment: So long as Lessee makes its aforesaid rental payments and otherwise complies with the terms and provisions hereof, Lessee shall be entitled to the use and possession of the Locomotive according to the terms hereof without interference by the Lessor or by any party lawfully claiming by or through the Lessor.

14. Authority: The Lessee and Lessor herewith represent and warrant that they are fully authorized to execute this Lease and bind the Lessee and Lessor, respectively, to the terms and provisions hereof.

15. Late Charges: Delinquent installments of rent shall bear interest at the rate of 1-1/2% per month if not prohibited by law, otherwise at the highest lawful contract rate.

16. ICC Recording: Lessee will, promptly but no later than ten days after the execution of this Lease by both parties, cause this Lease to be duly filed, registered or recorded in conformity with Section 11303 of the Interstate Commerce Act or other places within or without the United States as Lessor may reasonably request for the protection of its title and will furnish Lessor proof thereof. Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will refile, re-register, or re-record whenever required) any and all further instruments required by law or reasonably requested by Lessor, for the purpose of protecting Lessor's title to the Locomotive to the satisfaction of Lessor's counsel or for the purpose of carrying out the intention of this Lease, and in connection with any such action, will deliver to Lessor proof of such filing.

17. Taxes: Lessee, or Lessor at Lessee's expense, shall report, pay and discharge when due all license and registration fees, assessments, sales, but only as it relates to a sale to Lessee, use and property taxes, gross receipts taxes arising out of receipts from use or operation of the Locomotive including without limitation amounts payable under Sections 2, 6 and 10, hereof and other taxes (excluding any tax measured by Lessor's net income), together with any penalties or interest thereon, imposed by any state, federal or local government upon the Locomotive and whether or not the same shall be assessed against or in the name of Lessor or Lessee.

18. Performance Obligations of Lessee by Lessor: In the event that the Lessee shall fail duly and promptly to perform any of its obligations under the provisions of this Lease, the Lessor may, at its option, perform the same for the account of Lessee without thereby waiving such default, and any amount paid or

expense (including reasonable attorneys' fees), penalty or other liability incurred by the Lessor in such performance, together with interest at the rate of 1-1/2% per month thereon until paid by the Lessee to the Lessor, shall be payable by the Lessee upon demand as additional rent hereunder.

19. Further Assurance: Lessee shall execute and deliver to Lessor, upon Lessor's request such instruments and assurances as Lessor deems necessary or advisable for the confirmation or perfection of this Agreement and Lessor's right hereunder.

20. Lessee's Covenants: Lessee will: (a) defend at Lessee's own cost any action, proceeding or claim affecting the Locomotive; (b) do everything necessary or expedient to preserve or perfect the Lessor's interest in the Locomotive; (c) not misuse, fail to keep in good repair (ordinary wear and tear excepted), secrete, or without the prior written consent of Lessor, and notwithstanding Lessor's claim to proceeds, sell, rent, lend, encumber or transfer the Locomotive, except as provided in Subsection (e) of this section; (d) agree that Lessor may enter upon Lessee's premises or wherever the Locomotives may be located at any reasonable time and upon reasonable notice to inspect the Locomotive; (e) notwithstanding any provision to the contrary Lessee may, without the consent of Lessor, lease or permit the use of the Locomotive (such lease or use to be subject and subordinate to the terms of this Locomotive Lease Agreement and the rights and remedies of the Lessor hereunder) to or by a lessee or user incorporated in the United States of America (or any state thereof or the District of Columbia), upon lines of railroad owned or operated by the Lessee or such lessee or user or by a railroad company or companies have trackage rights or railroad of connecting and other carriers in the usual interchange of traffic or in through or non-through service, but only upon and subject to all the terms and conditions hereof; provided, however, that the Lessor's consent, not to be unreasonably withheld, must be obtained for any lease that is for a term longer than six months; provided, further, however, that the Lessee shall not lease or permit the sublease or use of any Locomotive for service involving operation or maintenance outside the United States of America except that occasional service in Canada shall be permitted so long as such service in Canada is de minimis and does not involve regular operation and maintenance outside the United States.

21. Default: An event of default shall occur if: (a) Lessee fails to pay when due any installment of rent and such failure continues for a period of 10 days; (b) Lessee shall fail to perform or observe any covenant, condition or agreement to be performed or observed by it hereunder and such failure continues uncured for 15 days after written notice thereof to Lessee by Lessor; (c) Lessee ceases doing business as a going concern, makes an assignment for the benefit of creditors, admits in

writing its inability to pay its debts as they become due, files a voluntary petition in bankruptcy, is adjudicated a bankrupt or an insolvent, files a petition seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar arrangement under any present or future statute, law or regulation or files an answer admitting the material allegations of a petition filed against it in any such proceeding, consents to or acquiesces in the appointment of a trustee, receiver, or liquidator of it or of all or any substantial part of its assets or properties, or if it or its shareholders shall take any action looking to its dissolution or liquidation; (d) within 60 days after the commencement of any proceedings against Lessee seeking reorganization, arrangement, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such proceedings shall not have been dismissed, or if within 60 days after the appointment without Lessee's consent or acquiescence of any trustee, receiver or liquidator of it or of all or any substantial part of its assets and properties, such appointment shall not be vacated; or (e) Lessee attempts to remove, sell, transfer, encumber, part with possession or sublet the Locomotives or any item thereof in a manner prohibited hereunder.

Upon the occurrence of an event of default, Lessor, at its option, may: (a) declare all sums due and to become due hereunder immediately due and payable; (b) proceed by appropriate court action or actions or other proceedings either at law or equity to enforce performance by the Lessee of any and all covenants of this Lease and to recover damages for the breach thereof; (c) demand that Lessee deliver the Locomotives forthwith to Lessor at Lessee's expense at such place as Lessor may designate; and (d) Lessor and/or its agents may, without notice or liability or legal process, enter into any premises of or under control or jurisdiction of Lessee or any agent of Lessee where the Locomotives may be or by Lessor is believed to be, and repossess all or any item thereof, disconnecting and separating all thereof from any other property and using all force necessary or permitted by applicable law so to do, Lessee hereby expressly waiving all further rights to possession of the Locomotives and all claims for damages suffered through or loss caused by such repossession. Upon Lessee's default and at any time thereafter, Lessor shall have all the rights and remedies of a secured party under the Uniform Commercial Code and any other applicable laws, including the right to any deficiency remaining after disposition of the Locomotives for which Lessee hereby agrees to remain fully liable. Lessor will give Lessee reasonable notice of the time and place of any public sale of the Locomotives or of the time after which any private sale or other intended disposition of the Locomotives is to be made. Unless otherwise provided by law, the requirement of reasonable notice shall be met if such notice is mailed, postage prepaid, to the address of Lessee shown herein at least ten days before the time of the sale or disposition. If

any statute governing any proceeding hereunder specifies the amount of Lessor's deficiency or other damages for breach of this Lease by the Lessee, Lessor shall be entitled to prove as and for damages for the breach an amount equal to that allowed under such statute. The provisions of this paragraph shall be without prejudice to any rights given to the Lessor by such statute to prove for any amounts allowed thereby. Should any proceedings be instituted by or against Lessor for monies due to Lessor hereunder and/or for possession of the Locomotives or for any other relief, Lessee shall pay a reasonable sum as attorneys' fees.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf. The Lessor and the Lessee agree that the Lessor shall be entitled to all rights (such rights being fundamental to the willingness of the Lessor to enter into this Lease) provided for in 1168 of the Bankruptcy Code or any comparable provision of any amendment thereto, or of any other bankruptcy act, so that the Lessor shall have the right to take possession of the Locomotives upon any event of default under this Lease regardless of whether the Lessee is in reorganization.

No failure by the Lessor to exercise, and no delay by the Lessor in exercising, any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege by the Lessor preclude any other or further exercise thereof, or the exercise of any other right, power or privilege.

22. Choice of Law: This Lease shall be governed in all respect by the Law of the State of California.

23. Miscellaneous: All transportation charges on the Norfolk & Western Railway Company shall be borne by Lessee. If any part hereof is contrary to, prohibited by or deemed invalid under applicable laws or regulations of any jurisdiction, such provision shall be inapplicable and deemed omitted but shall not invalidate the remaining provisions hereof. Lessee admits the receipt of a true copy of this Locomotive Lease Agreement.

HELM FINANCIAL CORPORATION

ATTEST:

By

Title

Richard C. Knecht
President

HILLSDALE COUNTY RAILWAY COMPANY,
INC.

ATTEST:

By

Title

Wilford G. Garble
Vice President & General Mgr.

STATE OF CALIFORNIA)
) SS.
COUNTY OF SAN FRANCISCO

I, NANCY L. HOFFNER, a Notary Public in and for the State and County aforesaid, do hereby certify that RICHARD C. KIRCHNER and WILLIAM M. PETERSON of HEM FINANCIAL CORP., a CALIFORNIA corporation, whose names are subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that as such PRESIDENT and SECRETARY respectively, they signed, sealed and delivered the aforesaid instrument and caused the corporate seal of said corporation to be affixed thereto, pursuant to authority of its Board of Directors, as their free and voluntary act and as the free and voluntary act and deed of said corporation for the uses and purposes therein set forth.

Given under my hand and notarial seal this 10th day of SEPTEMBER, 1986.



Nancy L. Hoffner
Notary Public

STATE OF Michigan)
COUNTY OF Hillsdale) SS.

I, VICTORIA J. VAN VIERAH, a Notary Public in and for the State and County aforesaid, do hereby certify that WILFORD G. GABLE and CHARLES J. LAPP of HILLSDALE COUNTY, MICHIGAN a MICHIGAN corporation, whose names are subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that as such VICE PRESIDENT and SECRETARY respectively, they signed, sealed and delivered the aforesaid instrument and caused the corporate seal of said corporation to be affixed thereto, pursuant to authority of its Board of Directors, as their free and voluntary act and as the free and voluntary act and deed of said corporation for the uses and purposes therein set forth.

Given under my hand and notarial seal this 19th day of September, 1986.

Victoria J. VanVierah
Notary Public

Commission expires 6/23/87

EXHIBIT A

Locomotive(s) Description:

1. General Motors (Electro Motive Division) GP9, 1750 H.P.
Diesel Electric Locomotive built in 1957, having current
Burlington Northern locomotive number 1766.
2. General Motors (Electro Motive Division) GP9, 1750 H.P.
Diesel Electric Locomotive built in 1957, having current
Burlington Northern locomotive number 1770.

EXHIBIT E

Casualty Schedule

<u>Rental Period</u> <u>---(Month)---</u>	<u>Casualty</u> <u>Value</u>	<u>Rental Period</u> <u>---(Month)---</u>	<u>Casualty</u> <u>Value</u>
1	\$17,009.72	19	\$8,939.95
2	16,595.32	20	8,451.58
3	16,177.12	21	7,958.73
4	15,755.09	22	7,461.37
5	15,329.19	23	6,959.45
6	14,899.39	24	6,452.92
7	14,465.65	25	5,941.75
8	14,027.93	26	5,425.90
9	13,586.20	27	4,905.32
10	13,140.42	28	4,379.97
11	12,690.55	29	3,849.80
12	12,236.56	30	3,314.77
13	11,778.41	31	2,774.84
14	11,316.06	32	2,229.96
15	10,849.47	33	1,680.08
16	10,378.60	34	1,125.16
17	9,903.42	35	565.15
18	9,423.88	36	1.00

EXHIBIT C

Purchase Option

<u>Rental Period</u> <u>---(Month)---</u>	<u>Purchase</u> <u>---Price---</u>	<u>Rental Period</u> <u>---(Month)---</u>	<u>Purchase</u> <u>---Price---</u>
1	\$17,009.72	19	\$8,939.95
2	16,595.32	20	8,451.58
3	16,177.12	21	7,958.73
4	15,755.09	22	7,461.37
5	15,329.19	23	6,959.45
6	14,899.39	24	6,452.92
7	14,465.65	25	5,941.75
8	14,027.93	26	5,425.90
9	13,586.20	27	4,905.32
10	13,140.42	28	4,379.97
11	12,690.55	29	3,849.80
12	12,236.56	30	3,314.77
13	11,778.41	31	2,774.84
14	11,316.06	32	2,229.96
15	10,849.47	33	1,680.08
16	10,378.60	34	1,125.16
17	9,903.42	35	565.15
18	9,423.88	36	1.00